



**Sean Rogan**  
Executive Director

**HOUSING AUTHORITY  
of the County of Los Angeles**

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**Gloria Molina  
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Don Knabe  
Michael D. Antonovich**  
Commissioners

April 30, 2013

The Honorable Board of Commissioners  
Housing Authority of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**APPROVE DISPOSITION OF HOUSING AUTHORITY-OWNED PROPERTIES AT 658 S. FERRIS  
AVENUE IN UNINCORPORATED EAST LOS ANGELES AND 1855 9TH STREET, 1450 14TH  
STREET AND 2006 20TH STREET IN THE CITY OF SANTA MONICA  
(DISTRICTS 1, 3) (3 VOTE)**

**SUBJECT**

This letter recommends approval of the disposition of Rental Housing Construction Program (RHCP) properties owned by the Housing Authority, specifically the Villa Nueva RHCP property at 658 S Ferris Avenue in unincorporated East Los Angeles, and the Santa Monica RHCP properties at 1855 9th St., 1450 14th St. and 2006 20th St. in the City of Santa Monica. The properties will be sold to a to-be-formed California limited partnership, in which the Los Angeles County Housing Development Corporation will be the general partner, and the Housing Authority will be a special limited partner. Approval of these actions will preserve affordable housing units in Los Angeles County that are currently at risk due to expiration of state subsidy payments.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Approve and authorize the Executive Director or his designee to execute all necessary documents related to the disposition of the Housing Authority-owned properties at 658 S. Ferris Ave. in unincorporated East Los Angeles, and 1855 9th St., 1450 14th St. and 2006 20th St. in the City of Santa Monica, to a to-be-formed California limited partnership (Partnership) in which the Los Angeles County Housing Development Corporation (LACHDC) will be the general partner, and the Housing Authority will be a special limited partner, following approval as to form by County Counsel.
2. Authorize the Executive Director or his designee to sell the properties to the Partnership for their current fair market value as determined by an independent appraiser.

**ADOPTED**

BOARD OF COMMISSIONERS  
HOUSING AUTHORITY

1-H      April 30, 2013

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

3. Authorize the Executive Director or his designee to execute promissory notes between the Housing Authority and the Partnership that shall be collateralized by deeds of trust recorded against the properties for the acquisition price.
4. Authorize the Executive Director or his designee to execute all documentation necessary for the formation of the Partnership, including but not limited to a Partnership Agreement.
5. Authorize the Executive Director or his designee, if necessary, to terminate the Housing Authority's participation as special limited partner in the Partnership.
6. Find that the above listed actions are not subject to the provisions of the California Environmental Quality Act (CEQA), as described herein, because they do not have potential for causing a significant effect on the environment.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The State of California Housing and Community Development Department (HCD), through its Rental Housing Construction Program, provided financing to the Housing Authority for the acquisition and construction of affordable housing at 658 S. Ferris Ave. in unincorporated East Los Angeles and 1855 9th St., 1450 14th St. and 2006 20th St. in the City of Santa Monica (Properties). In 1982, the Housing Authority entered into a 99-year ground lease for the Santa Monica properties. The three scattered site properties have 11 units at 9th Street, 19 units at 14th Street, and 11 units on the 20th Street site. The Housing Authority purchased the 21 two-bedroom unit Villa Nueva property in East Los Angeles in 1985.

The RHCP was structured to provide housing for tenants with very low incomes with HCD providing annual operating subsidies to the Properties. However, for the past few years HCD has been unable to fund these subsidies at levels required to sustain the Properties, jeopardizing the viability of the developments.

In August 2012, HCD sent the Housing Authority a letter stating that the State's annuity fund which was used to provide the RHCP operating subsidies will not be available after January 1, 2016. Furthermore, HCD also asked the Housing Authority to consider options to financially restructure the Properties.

Operation of the Properties is not financially viable without the continued state subsidy, because rental income from the very low income residents is insufficient to fund operating expenses. Therefore, in order to preserve the 62 affordable units at these sites, the Housing Authority intends to sell the properties to a to-be-formed California limited partnership in which the LACHDC will serve as general partner and the Housing Authority will have a special limited partnership interest. This Partnership will enable the properties to receive low-income housing tax credit equity and new financing to sustain their viability. The Housing Authority will sell the properties for their current appraised fair market value and if necessary will finance the Partnership's acquisition by providing seller financing.

#### **FISCAL IMPACT/FINANCING**

There is no impact on the County general fund.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The LACHDC is a nonprofit public benefit corporation established in 1989. The LACHDC's purpose is to lessen the affordable housing production burden for local government by providing services to assist governmental agencies to meet their legal obligations to provide affordable housing. The LACHDC has been very successful in preserving affordability through financial restructuring of a number of affordable housing projects.

The Housing Authority remains committed to ensuring continued affordability for all residents at the Properties. The Housing Authority's role as special limited partner will provide necessary oversight to ensure the long term viability of the Properties. On March 27, 2013, the Housing Commission recommended approval of the disposition.

**ENVIRONMENTAL DOCUMENTATION**

This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

This action will preserve much needed affordable housing for low-income persons in unincorporated East Los Angeles and the City of Santa Monica.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:cr